

*Monday,  
4th January, 1886*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. XXV

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ABSTRACT OF THE PROCEEDINGS  
OF  
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA  
ASSEMBLED FOR THE PURPOSE OF MAKING  
LAWS AND REGULATIONS

1886

VOLUME XXV.



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1886.

*Abstract of the Proceedings of the Council of the Governor General of India,  
assembled for the purpose of making Laws and Regulations under the  
provisions of the Act of Parliament, 24 & 25 Vict., cap. 67.*

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The Council met at Government House on Monday, the 4th January, 1886.

PRESENT :

His Excellency the Viceroy and Governor General of India, K.P., G.C.B.,  
G.C.M.G., G.M.S.I., G.M.I.E., P.C., *presiding*.

His Honour the Lieutenant-Governor of Bengal, K.C.S.I., C.I.E.

The Hon'ble C. P. Ilbert, C.S.I., C.I.E.

The Hon'ble Sir S. C. Bayley, K.C.S.I., C.I.E.

The Hon'ble T. C. Hope, C.S.I., C.I.E.

The Hon'ble Sir A. Colvin, K.C.M.G., C.I.E.

The Hon'ble H. J. Reynolds, C.S.I.

The Hon'ble Rao Saheb Vishvanath Narayan Mandlik, C.S.I.

The Hon'ble Peári Mohan Mukerji.

The Hon'ble H. St. A. Goodrich.

The Hon'ble R. Steel.

The Hon'ble W. W. Hunter, C.S.I., C.I.E., LL.D.

LAHORE TRAMWAYS BILL, 1886.

The Hon'ble MR. ILBERT moved that the Report of the Select Committee on the Bill to authorize the making, and to regulate the working, of Street Tramways in Lahore be taken into consideration. He said :—" This Bill is one of purely local interest, and I hope it will be the last of this class with which I shall have to trouble the Council. The general Tramways Bill, which is now before a Select Committee, will probably make it unnecessary to undertake legislation of this description in future."

The Motion was put and agreed to.

The Hon'ble MR. ILBERT also moved that the Bill, as amended, be passed.

The Motion was put and agreed to.

SUNDRY BILLS.

The Hon'ble MR. ILBERT also moved that the Hon'ble Mr. Quinton and the Hon'ble Rájá Amír Hasan be added to the Select Committee on the Bill to amend the Northern India Ferries Act, 1878.

The Motion was put and agreed to.

The Hon'ble MR. ILBERT also moved that the Hon'ble Rájá Amír Hasan be added to the Select Committee on the Bill to declare and amend the law relating to the Stone Mahál in the District of Mirzapur in the North-Western Provinces.

## LICENSE TAX AMENDMENT.

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The Motion was put and agreed to.

The Hon'ble MR. ILBERT also moved that the Hon'ble Rájá Amír Hasan be added to the Select Committee on the Bill to provide for the voluntary Registration of certain Births and Deaths, for the establishments of General Registry Offices for keeping Registers of certain Births, Deaths and Marriages, and for certain other purposes.

The Motion was put and agreed to.

## LICENSE TAX AMENDMENT BILL, 1886.

The Hon'ble SIR A. COLVIN moved for leave to introduce a Bill for imposing a tax on income derived from sources other than agriculture. He said :—

“ It will be desirable, in asking leave to introduce the Bill inscribed on the list of business before us, that I should explain the circumstances in which we have found it necessary to have recourse to legislation with the purpose of increasing our revenue. In coming before this Council with a Bill the object of which is to add to our present means of direct taxation we shall be expected, and very reasonably expected, to demonstrate its necessity. I shall endeavour to do so as clearly, but at the same time as succinctly, as I can. To enter at great length or with infinite detail into the present prospects and into the past fortunes of our finances would be out of place here, and would, I feel sure, assist this Council very little. At the best, they would but follow me (as one tracks a mole working underground) by the heaps it leaves behind, by a series of recurring groups of confusing financial figures. But, as the object of what I have to say is to enable those who are here to seize clearly and firmly the problem which the Government have to solve, I shall, I believe, assist them best in doing so by avoiding as much as possible mazes of figures and intricacies of calculation, and keeping to the broad beaten high road, open and accessible to all, and easily traversed from end to end by those who will give themselves the trouble to accomplish it. I shall briefly examine the past and the actual financial situation; I shall show this Council what is the figure at which we estimate the deficit of next year; I shall examine the several methods which present themselves of meeting this deficit; I shall then state the reasons which have led us to adopt such an amendment of the License Tax as shall place direct taxation on a more equitable basis, and I shall close with such remarks as may show that the measure we propose to introduce is one which opponents in former days of an income tax have expressed themselves as willing to accept. It is impossible to give a clear view of the present situation without glancing back, however briefly, at the circumstances of the last three preceding years, so as to show what has been the equilibrium of revenue and expenditure from 1882 onwards, what are the resources which they have left us on which we can count to meet

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increased demands for expenditure, and what is the nature and extent of the recent charges imposed upon us, which are so serious as to leave us no doubt of the inadequacy of our revenue, as at present estimated, to provide for them. I take 1882 as the point of departure, because that was the year in which the Government of India introduced changes in our revenue of a nature so radical and decisive as to constitute an epoch from which a new departure must be dated. In the Budget Statement for the present year I said, it may be remembered, that 'the measures adopted in 1882 had been fully justified by the experience acquired since their introduction, but' I added 'it was doubtful whether the status which they established would prove sufficient in view of the further trials which seemed to be awaiting us and of the necessities of our situation, whether connected with the state of our currency or with the measures necessary for the development and protection of the country.' What, then, has been the course of events since the Budget of 1882-83 was introduced? And what were my grounds for saying that the calculations of that Budget had been justified by experience, but that it seemed likely that the resources which they furnished us would have shortly to be supplemented? In that year, 1882-83, the rate of duty on salt was reduced to  $\text{R}2$  a maund everywhere, excepting in the Trans-Indus Districts of the Punjab and Burma, (where a specially low rate of duty had previously prevailed,) at a cost of  $\text{£}1,400,000$ . Cotton duties and the general import duties were entirely abolished at a gross cost of  $\text{£}1,219,000$ . The Patwari Cess in the North-Western Provinces was remitted, and the Government undertook the payment of patwaris in Oudh, the change involving a virtual remission of taxation to the extent of  $\text{£}316,000$ . These changes, with certain administrative reforms, amounted to about three millions. The surplus estimated in the Budget, notwithstanding these very large reductions, amounted to  $\text{£}285,000$ ; the actual surplus, however, was  $\text{£}706,633$ , in spite of the provision necessary for the war in Egypt, which amounted to over half a million; of the reduction, in the rate of export duty on Malwa opium, of  $\text{R}50$  per chest; and of the serious fall in the exchange which reached  $\text{£}306,433$  in excess of the Budget Estimate. This, then, was the result of the first year—remission of revenue to the amount of three millions, war, reduction of duty on Malwa opium and increased loss on exchange; yet a surplus of  $\text{£}700,000$ .

"In the following year 1883-84 exchange was taken at  $1s. 7\frac{1}{2}d.$  instead of  $1s. 8d.$ , and the total charge on account of Exchange in that year was  $\text{£}773,000$  higher than in the Budget Estimates of 1882-83. Owing to short crops in previous years the amount of opium put upon the market was also reduced in 1883-84; and from these two causes a million less was taken on that account in the estimates, while in the course of the year  $\text{£}1,000,000$  not provided for in the estimates was paid to Her Majesty's Government on account of arrears of non-effective charges of the British Army. The surplus budgetted for in that year was  $\text{£}457,000$ ; the actual surplus was no less than

£1,887,496. In the ensuing year, namely, in 1884-85, the surplus estimated for was £319,300; short sales of opium, very heavy expenditure connected with an extraordinary opium crop, falling off in customs, and in railway income, with the other unfavourable causes explained in the Financial Statement of the present year, again lowered our revenue; yet although in that Financial Statement on the revised estimates for 1884-85 a deficit of £716,200 was calculated upon, there is every reason to anticipate that the accounts now shortly to be closed will show an equilibrium.

“ It will be seen from this brief review that during the last three years the surplus of revenue over expenditure, notwithstanding the great reductions carried out in 1882, has averaged, so far as we at present know, in the three years not less than £700,000. The revenues, reduced in 1882 by an annual sum of three millions, have still amply sufficed to meet the difficulties arising from a variety of causes, such as short opium crops, temporary falling-off in railway receipts, war charges, and a heavy claim for payment of arrears of non-effective military charges. The expansion of the revenue, and especially of the railway revenue, will be familiar to all who have watched the course of Indian finance; and it will, probably, be admitted that the figures which I have quoted give striking evidence of the sagacity of the calculations which estimated that 3 millions could, in 1882, be taken off our revenue estimates without causing anxiety. The present year again, the estimates of which were framed on the basis of depression in regard to railways, customs, and opium, still (apart of course from the extraordinary charges put upon us in connection with the preparations for war) shows on its estimates a small surplus of £508,100. It is not necessary at present to dwell on the Estimates of 1885-86 further than to say that the experience gained in previous years will, I have little doubt, prove, when the Budget Statement of the ensuing year is published, to have been fully continued in 1885-86, and that, apart from the extraordinary war expenditure, our resources will, in the current year, have sufficed to meet our burdens. But, with the present year, our brief spell of happiness has come to an end; the fat kine have passed on; the lean kine are come in. Three uninterrupted years of prosperity is a godsend in the annals of any nation; in our Indian annals it is extraordinarily rare good fortune. I know that there are many who think that the capricious and uncertain elements in Indian finance should have been allowed more weight in the counsels of those who carried out the reforms of 1882. I do not share those views. If any man has a right to complain, it is I; for on my shoulders is placed the burden of finding fresh resources to replace those which in 1882 were dispensed with. But I do not share the views of those who cry shame on the Government which lightened by three millions the public burden in 1882, and gave to the tax-payers respite to the present moment. This is neither the place nor the time to enter into a discussion of the policy of 1882; but this much I may affirm, that, whatever may be said

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about the abolition of the import duties in that year, the exemption from duty in March 1878 by the Government of Lord Lytton of certain descriptions of grey cotton goods made the abolition of the import duties on all cotton goods a question only of time, and of very brief time. If Apollos was constrained to water it was because Paul had sowed. The corner stone was taken out of the edifice in 1878, and the whole fabric of import dues was bound shortly to be removed, under pain of becoming a nuisance and a danger. The decrease, again, in the salt duties has been rewarded by the increase in the subsequent consumption of salt by 13 per cent. in the three subsequent years ending with the 1st of January of the present year—consumption which is steadily increasing. To come back, however, to the thread of my remarks and from the unprofitable pursuit of what might have been to the practical examination of what is. The good time is over; the day of difficulties is again with us; we are labouring once more, not under a plethora, but a want, of money. We shall probably be called upon next year to meet an increased charge of nearly a crore of rupees owing to the fall of a penny in the exchange; that is, instead of taking our exchange next year at 1s. 7d., it is prudent at present in making our estimates to assume that we shall have to take it at 1s. 6d. The so-called loss by exchange imposes on us sacrifices which it is beyond the power of this Government or of any Government, acting singly, to avert; no foresight, no economy, can save us from the depression which silver, largely demonetised and become, so far as it is demonetised, a mere commodity, has, in common with all other commodities, undergone relatively to gold; and from the effects of which we, as a Government, with a silver standard whose dealings are mainly with England, a country of a gold standard, are especially called upon to suffer. At the same time we shall have to provide for an increase in our Military Estimates, whether for pay of troops or interest on Capital to be expended on Defence Works, which eventually will amount to no less than two millions. For this, of course, we are responsible, and if I do not pause here to justify it, it is because others whose special province it is will doubtless undertake that duty. The whole of this latter charge, however, will not fall during the first year; but taking the increased charge on account of exchange and military establishments next year, inclusive of interest on the Capital for frontier railways defence works, it may be calculated at about £2,000,000. Speaking broadly, in round figures, we may assume that of this sum all but £700,000 will be forthcoming on our ordinary estimates. In other words, nearly two-thirds of the increase to our expenditure estimates of £2,000,000 next year caused by the fall in exchange and the increased military expenditure will, according to our expectations, be met from our existing resources.

“ To the extent then of £1,300,000 we count upon the funds provided for us, as resulting from the arrangements made in 1882, and that we can so count is proof of the foresight with which those arrangements were made. We could have provided, in other words, for the fall of a penny in exchange, or we could have added to our estimates the sum necessary to meet the additional proposed military expenditure, and the interest on frontier railway and defence works for the ensuing year; but the two charges combined have been too much for us, and have compelled us to seek about for ways and means whereby to meet our accumulated difficulties. I shall be asked how, if the Budget of 1885-86 shows a surplus of £500,000 only, we expect in the coming year to provide £1,300,000 from existing sources. I shall be told that it is customary to show in our estimates, after all expenditure has been met and accounted for, a normal surplus of about half a million; so that deducting the above surplus of £500,000 which must be kept in hand, and assuming that £700,000 are to be raised by taxation, there remain apparently £1,300,000 unprovided for. The chasm certainly appears considerable; but a chasm, like a conscience, is all the better for close inspection. Let us examine it. The explanation, briefly stated, is that the estimates of 1885-86 were in more than one respect abnormally low. The provision of 1882 had not been worked up to. The depression in our railway receipts which set in in 1884-85 still threatened us, and we based our estimates on the cautious view that that depression would continue in 1885-86. Hence our estimates for the current year were estimates below the standard of our normal expectations. But the depression I speak of has partly worn off; other sources of revenue have recovered. We were, in 1885-86, when the estimates were framed, suffering from stagnation of exports and customs and from short opium revenue, owing to the necessity of increasing our opium reserves which had been depleted by a course of bad years, this necessity again compelling us to put upon the market a smaller amount of opium than would otherwise have been the case. The estimates, both for railway and opium receipts, were therefore taken at an exceptional figure; but since then, I am glad to say, the export trade and with it our railway receipts have considerably revived, and the customs are showing better results. It is more than probable that the revised estimates for the present year will show a net increase of half a million over the estimates under the head of Railways, an improvement which we may look to maintain in the coming year; and as two bumper opium crops have followed one another this year and last year, we may expect considerable improvement, say £200,000, in the opium revenue next year. In consequence of the new method of calculating the military non-effective charges, we shall have in



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1886-87 a saving, as compared with 1885-86, in round numbers, of £363,250 under that head. The normal annual increase to our revenue may be taken, as experience has shown us, at £150,000. In the budget of 1885-86 a sum of £585,000 was allotted from revenue to the construction of frontier railways and defence works, which, in view of the exigencies and pressure of our position, will be charged in the ensuing years to Capital. I admit that, speaking for myself, nothing but absolute necessity would induce me to assent to the construction of works of this nature from Capital. But if ever there was a case of absolute necessity, it is the present; and if the choice is to be between increased taxation to the amount of £580,000 or the construction of these works from Capital, it may be reasonably contended that the latter is preferable. As Sir John Strachey said in his Financial Statement for 1880-81 speaking of frontier railways, 'If we could not have paid for them out of our ordinary revenue, it would have been quite right to borrow for their construction. I should have said this because the works are absolutely necessary, and because the political and financial evils of borrowing would be less serious than those involved in fresh taxation.' In the Financial Statement for this year it was pointed out that it has always been hitherto the policy of the Government of India to meet demands of this nature, so far as they can be met, from its revenue; revenue failing the Government of India is prepared to have recourse to borrowing. Revenue failing, and further taxation being undesirable, the Government is prepared to do so now. Taking the total then of the items which I have enumerated, we obtain, in round numbers, the figure of £1,800,000 out of a total estimated additional expenditure of two millions, leaving us a balance of £700,000 to obtain the normal surplus which we consider necessary to exhibit in our accounts. It will, of course, be borne in mind that, in giving to the Council the above calculations, I do so under the reserve of further experience. Little less than a quarter of the year has still to pass; if, on the one hand, I have been moderate in my estimate of increased revenue, I have taken no account, for I know nothing, of what increased expenditure may be in store for us in respect, for example, of Burmah. The figures I have given are an approximation; as close an approximation as I can at present form; if they show nothing else they show, at any rate, I think, this much, that we may require more than £700,000 to obtain the necessary working surplus, but that we certainly shall not want less; and that, for the present, is all which I am in any way concerned to demonstrate.

" Now, there were several ways open to us to obtain the funds which we required. The first and most obvious method is economy, and no one can be

more conscious than the Government of India how needful and how urgent it is, in view of the difficulties, present and prospective, which surround us, to carry out whether in the actual present or a more distant future all economies which are practicable. It is a matter to which we are devoting anxious attention, and in regard to which Your Excellency will, I believe, explain the measures which we have in contemplation. But there are considerations in the way of enforcing, except in the last resort, any considerable economy in the estimates of civil expenditure for the immediately ensuing year which cannot be lightly set aside. I do not in saying this wish to be understood as in the slightest degree endorsing the view as to the folly of making reductions which has been lately urged on this Government from more than one quarter; for I cannot for the life of me bring myself to see that the best way out of pecuniary obligations which you are not likely to be able to meet is by adding to them. I wish with all my heart it were, for it would simplify my task exceedingly. Thus, we have been told that if economy is a good dog, borrowing is a better. A passed master in the art of meeting pecuniary obligations, whose authority as we know is unimpeachable, was obliged at last to confess that he could get 'no remedy against this consumption of the purse; borrowing only lingers and lingers it out, but the disease is incurable.' In public as in private life, in short, the approach of money difficulties is the signal for retrenchment; and if we do not at the present moment look to economies to fill the void which threatens us in the coming year, it is not because we agree with those who think economies a pestilent source of extravagance, or because we do not ardently desire them, but because they are not in any decisive degree immediately attainable. The arrangements by which the Government of India has assigned to Provincial Governments the disposal of a large part of the public revenues has had for its aim, and has achieved, the practice of economy and good administration. But, save in circumstances of an exceptional nature, the Local Governments have been assured that, during the term of what are known as the Provincial contracts, the arrangements with them, by which, during a fixed term, they are secured certain revenues, shall not be disturbed. Hence, if those contracts are not to be disturbed, the Government of India can economise only on the margin left for its own administration, and which is largely composed of military, postal, telegraphic or other similar charges which are not susceptible of instant reduction. Of course it is the Government of India which in the last resort must decide what are circumstances of an exceptional nature. It decided, for example, that the circumstances of the present year were of such a nature, and the Provincial Governments very loyally responded to its call.

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When it came however to determine what course it should adopt in regard to the situation created by the circumstances which I have explained to the Council, it was met by the consideration that the Provincial arrangements now in force expire at the close of the Financial year 1886-87, at the close, that is, of the ensuing financial year; and that it would then, in any case, be in a position to re-adjust the partition of the revenues. No re-adjustment which was likely to prove practicable would be of itself sufficient to remove all necessity for resorting to other means of increasing our revenue. There was but one year to be tided over; and in that year the maximum expenditure on account of military establishments and frontier works would not be reached. On the other hand, to put an end without proved necessity in the fourth year of their quinquennial term to those contracts, would have led to great doubts and misgivings in future, doubts and misgivings which were inconsistent with the economical aims and objects which are the strength and the justification of the system introduced by Lord Mayo. We were the judges in our own case; and it was the more necessary therefore to be sure that, in satisfying our own necessities, we were not falling short of engagements into which we and our predecessors had deliberately entered, and to which we were pledged. We were not, and we are not yet, in a position absolutely to say, at this period of the financial year, that it is unnecessary to call the Provincial Governments to our assistance. All that we can be sure of is that such a measure does not at present seem to be imminent; that if it were necessary it would not release us from the task of further strengthening our revenues; that in itself it is likely to prove hurtful to good administration; and that what is needed is as much an increase of existing revenues, as a repartition of those which already are available, a repartition which, while it failed to fill the measure of Imperial needs, would be sure, if suddenly insisted on, to prove inconvenient to provincial administration. But at the same time we cannot close our eyes to the certainty that on the revision of the contracts in 1886-87 we shall be called upon to examine closely the details of our financial relations with the Local Governments with a view to such a re-adjustment as shall equitably distribute over the general revenues the recent additions which have been made to the general burden. We have warned them of this, and we have asked them not to embark in any fresh expenditure of a nature or extent to prejudice the settlement of our fresh relations with them, which must be effected in 1887.

“ Then, again, there was the question of indirect taxation. For example, we might have replaced, in part or in whole, the reduction of the duty on salt which was made by the preceding Government; but to have done this would,

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in the first place, have been to increase the burdens of the poorest classes of the community; it would have checked the consumption of salt, which has risen from 2,44,98,000 maunds in the period from 1st March 1881 to January 31st, 1882, to 2,77,92,000 maunds from 1st March 1884 to 31st January 1885, and would have been contrary to the pledge which was given by Sir Evelyn Baring at the time when he reduced the duty: he then said—

'We hope that we shall be able to maintain the duty at Rs. 2 a maund, and we have at present no reason to suppose that we shall be unable to do so. By a return to a higher rate, we should, of course, to some extent at all events, sacrifice the main object we have in view, viz., to afford some relief from taxation to the poorest classes. At the same time, I should observe that if any unforeseen circumstances, such as a heavy fall in the value of silver, takes place, and if, at the same time, the reduction in the salt duty does not result in any considerable increase in the consumption of salt, it would be open to us to return temporarily to a higher rate. This is an expedient to which the Government would have recourse with great reluctance.'

"It will be observed that he anticipated replacing the duty in the event of a fall in silver, such, for example, as has taken place, and still more, therefore, (it may be argued) in the event of our being subjected to large unforeseen expenditure, such as recent events on the frontier have rendered, in the judgment of the Government, necessary for the protection of the country; but he added also a second condition, namely, that the reduction of the salt duty should not have resulted in any considerable increase in the consumption of salt. The figures I have given show that there has been a very considerable increase in the consumption of salt, giving evidence (all allowance made for the effect of increase in railway communications, and of improved administration), of the insufficient supply that was previously within the means of the people, and enabling us to judge of the effects which would follow, if not immediately, at any rate before very long, an enhancement of the existing duty. It is very possible that a time might come when (whether owing to increased facilities of distribution, or from other causes) enhancement of the salt duty to the rate which formerly existed, or to something falling short of it, might be advisable; but it is a measure which few, I imagine, would wish to see introduced so long as other legitimate resources were open to us. I may glance, in this connection, at what has been recently urged in more than one quarter with regard to the re-imposition of the import duties. We are assured that the measure would be extremely popular, that nobody would feel it, and that it would bring in a very large revenue. Popular, in one sense, it would certainly be, with that limited class on whom its burden did not fall, being precisely the class to whom I have above alluded, who contribute so

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little. But, all other considerations, such as those connected with the expansion of our export trade and therewith of our railways, apart, it must be remembered that the burden of the import duties, like the burden of the salt duties, falls upon the masses of the people, who are the chief consumers, and it is idle to suppose that the re-imposition of the duties would not be felt by men whose income at the best is barely sufficient to afford them the sustenance necessary to support life, living as they do upon the barest necessities of life. It is always popular to pass obligations on to other people; but it is a kind of popularity which no Government, anxious for the equitable adjustment of the burdens to be imposed upon tax-payers, can possibly wish to acquire. Nor would it be possible to escape the difficulty of the local industries. How are we to re-impose the import duties without putting an excise upon local mills which are now so numerous and considerable? How otherwise could the import duties be regarded as other than protective duties? The question is not one which need be seriously discussed at present, not only on account of the economical and other objections to it, but because the time has not come when we need call upon the masses of the people to contribute further to the Imperial Treasury. But it cannot, in a statement of this kind, altogether be passed over in silence, because it is constantly being brought forward as a simple and easy escape from our difficulties by the class who are at present exempt from their due share of the public burden, and who seem, if without offence I may say so, more willing to impose that burden upon others than to lift so much as a corner of it with their own fingers. The philosophy which enables us with amazing equanimity to bear the misfortunes of our neighbours appears in a less unobjectionable form when it suggests the transfer to our neighbours of our own share of misfortunes. In fiscal, as in other mundane matters, man must bear his own burdens; an ordinance of which the propriety and, I may say, the decency, seems to me unassailable. Another course open to us was to review the scheme by which a million and a half are annually put aside for Famine Insurance, and to consider whether we might not utilise that sum, in whole or in part, for the purpose of meeting the fresh expenditure which was brought upon us. And here again I think it would be well that I should take this opportunity, although at the expense of time, of reminding this Council what the nature of the Famine Insurance scheme really is, and pointing out the mis-apprehensions which seem very generally to prevail upon this point. There seems to be a kind of idea that it is a separate fund deriving from, but quite irrespective of, our general revenues, and that this particular fund is always to be appropriated to a particular purpose, that particular purpose being the reduction of debt. If experience did not show that the very lucid explanations on this head given

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by one of my predecessors on the point have fallen on absolutely deaf ears, it would be scarcely necessary for me to point out that there can be no such thing as a distinct fund, forming part of our general revenues, and yet independent of our general revenues; and that systematically to assign certain items in your revenues to separate fund, to earmark and assign that fund to the reduction of debt, to maintain it for that purpose, and thereby to encounter peradventure, a succession of deficits or the necessity of taxation to the amount so assigned, is an absurdity. What was said in 1861 by Mr. Laing in regard to the clauses in the Income Tax of 1860 by which it was required that 1 per cent. of the proceeds of that tax should be kept specially for Public Works applies, *mutatis mutandis*, to the present instance. 'To give,' he said, 'a statutory claim to money which we have not got, and can only make a pretence of giving with one hand, and taking it back with the other, ought not to be continued. Sham is rarely harmless; it is for the most part positively mischievous.' But the matter cannot be put in clearer language than that employed by Sir John Strachey in this Council on December 27th, 1877, and again on February 9th, 1878, and finally on November 14th, 1879; and in justice, no less to ourselves than to Sir John Strachey, I shall take the liberty of quoting those statements in full, though at the risk of some impatience on the part of some of those who are listening to me and who are already familiar with these declarations.

" This is what Sir John Strachey said in 1877 :

' The objects of the Government, it will have been gathered, are two-fold, first, to obtain that addition to the public income which experience shows to be required to meet the charges that arise, directly or indirectly, in a series of years, by reason of scarcity and famine; and second, to secure a proper margin of ordinary surplus to meet those unforeseen irregularities in the Revenue and Expenditure, which necessarily lead to differences between the estimates of the year and the actual accounts.

' As to the first of these objects, I desire to say that the recognition by the Government of this new obligation implies no suggestion of diminished public wealth or a decaying revenue. Rather, the very contrary is true, and it is the stronger perception of the generally advancing condition of the community, and of its requirements and capacities, that has induced this movement. It is the firm intention of the present Government to apply the funds now to be provided for this special purpose, strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors, and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might of course happen which would render it impracticable even for us, who have designed these measures, to maintain our present resolutions.

' So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against famine alone. In saying

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this I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our Revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.

“ That was Sir John Strachey’s first statement on the subject; clear enough one would have supposed; but if there were doubt on the subject what he said in 1878 should have effectually dispelled it. He said :—

‘ It was suggested at a previous meeting of the Council, and the proposal has been urged in a memorial received from the British Indian Association, that a separate fund should be created from the produce of the new taxes, for the objects now in view by the Government. I think it desirable to make a few observations on this subject. It may first be said that the money obtained by the new taxes will in fact be applied, either to discharge of debt the special origin of which cannot be ascertained, or to the construction of useful remunerative works of precisely the same description as those on which a far larger sum has hitherto been spent year by year, partly obtained from the general revenues and partly from borrowed funds. It is not the intention of the Government to reduce this outlay; on the contrary, it hopes to be able to increase it. To create any separate fund, therefore, would be to make a perfectly arbitrary and artificial distinction between a small part of the outlay, say 1½ millions, and the larger part, say 3 millions, on works in themselves not really distinguishable in their character or objects. Such a division would be, not only useless, but mischievous, and could not practically be maintained. It would necessarily lead to artifices in adjusting the grants and accounts, which would create suspicion and cause much trouble to all concerned.

‘ In fact, what the Government desires is to establish a sense of the obligation under which it is placed in respect to the expenditure due to famine, which shall be felt in the same way as the obligation to provide proper Courts of Justice, police, education, and so forth. For none of these objects has it ever entered into the mind of any one to suggest a special allocation of the revenue or a separate fund. Nor can any greater reason be found for a separate Famine fund than for separate funds for any of those other objects which are obligatory on the Government.

‘ The intention of the Government is to obtain the means of meeting the charges that arise in all parts of India on account of the relief of famine, whenever such calamities occur. This could not be done if the additional income obtained were specially allocated for expenditure in the Provinces where it is raised, and there never was any such intention. At the same time it is held to be desirable to employ the Provincial Governments in obtaining the funds, and in supervising their application so far as it takes the form of an investment in useful works of a remunerative character. It is with this exclusive object that it has been proposed to make the new taxes Provincial, so that the best possible agency shall be secured for their collection and for administering their outlay in detail.

' I will not attempt to state in detail the reasons why the persons responsible for the administration of the finances reject separate funds of all kinds, unless under very special circumstances, as productive of confusion and complication without any counterbalancing advantage. It will be enough, probably, after what I have already said on this point, to reconcile the Council and the public to the decision of the Government, not, in the present case, to create any separate fund, if I point out that any other determination might lead to results probably not contemplated by those who have suggested the establishment of a separate fund; I mean that this might involve the necessity for imposing more taxation. Suppose, for instance, that the produce of the new taxes were by law strictly set apart from the general revenues and paid into a separate fund only to be applied to specified purposes. If, then, any sudden change of circumstances arose, calling for seriously increased expenditure, or causing a considerable falling-off in the revenue, we should have to choose between the imposition of fresh taxes and the abrogation of the law constituting the fund; for I set aside the idea of meeting ordinary charges by borrowing as a course financially inadmissible. This dilemma might arise, though the pressure was likely to be only temporary; nor can any one say that such a contingency would be at all improbable, or that it might not occur at any moment.'

" However, in spite of all this, the fund legend continued in circulation, and in the following year Sir John again exposed it :

' I had supposed, my Lord, that if there was one thing which had been made clearer than another in regard to the measures in question, it was this,—that, although it was sometimes convenient to talk of a Famine Insurance Fund (I believe, however, that I myself on no single occasion used the expression), the Government altogether repudiated the idea that it was desirable to constitute any separate fund from the produce of the new taxes for the purpose of meeting expenditure on Famine. I said in the plainest language that I could find, in the debate in this Council on the 9th February 1878, that the creation of any separate fund would not only be useless but mischievous,—that it would disturb the adjustment of grants and accounts, and cause suspicion and trouble to all concerned.'

" Ineffectual, still, this third statement; error, more especially wilful error, dies hard; and here am I in 1886 again searing the head of this Hydra, ineffectually, no doubt, in my turn too. The fact of the matter is that the sums devoted to the Famine Insurance scheme, so long as they are not applied to normal, ordinary, expenditure, operate directly to the reduction of debt: if there is no loan they may operate directly to the reduction of debt: if money is borrowed, the amount borrowed is less by the sum which the Famine Insurance grant enables us to place to the credit of the cash balances. The original intention expressed, I may here mention, long before the debates of 1877 and 1878, by Lord Northbrook in the Resolution of April 23, 1874, with which the Financial Statement for 1874-75 was published, was as follows:—

“ . . . . It would not be safe to depend upon loans for the purpose of meeting future charges on account of famines. Although means have been taken, and will be taken, to obviate or mitigate those calamities, some such charges must, for a time at least, be looked upon as contingencies to be expected to recur with more or less regularity.



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'It is necessary, therefore, that, besides a fair surplus of income over ordinary expenditure, such a margin should be provided, in addition, in ordinary times, as shall constitute a reasonable provision for meeting occasional expenditure upon famines. If the surplus be employed in the reduction of debt, in the construction of reproductive public works, or remain in the cash balances, the expense caused by future droughts may fairly be met by appropriations from the cash balances, or by loan, to the full extent of the accumulations of surplus.

'This condition of things has existed in India during the last four years; and the Government of India are resolved to use their best endeavours to maintain, for the future, a considerable surplus of income over ordinary expenditure, and thus to make provision, beforehand, for any calls which are likely to arise on account of famines.'

"The original object was to secure a surplus of £1,500,000 and to devote it to the reduction of debt, or to productive public works; but subsequently when it was decided, after the report of the Famine Commission, to carry out a considerable scheme of railways, it was determined to devote a part of the Famine Insurance grant to the construction of what are known as protective railways (protective, that is against Famine,) and to works of irrigation, and the rest to reducing the sum which would have to be borrowed for the construction of productive works, whether railways or irrigation. At a later stage again the system now in force was adopted by which grant is devoted in part to the direct prosecution of railway and irrigation works, and in part to lessening our annual borrowings for such works; the former distinction between protective and productive having been discontinued. The combined effect of the application of the grant is to lessen our obligations by the amount directly expended in the construction of railways and irrigation, whether from Revenue or from Capital, and, in that sense, to reduce the debt. So long, however, as we continue to devote the item of one million and a half in whatever manner to the reduction or prevention of debt, so long, as we do not devote it to ordinary expenditure, so long will the Famine Insurance scheme continue to be operative. It may be employed in the reduction, or, which is the same thing, in the prevention, of debt, or in the construction of works, or by swelling our cash balances. But as so much has been said lately 'by the herd of such, who think too little and who talk too much,' as so much, I repeat, has been said about breach of faith, and I know not what, in respect of the Government and the Famine Insurance scheme, I wish to say here, in plain unequivocal language, that in my opinion it is quite open to question whether, in the event of a continuation or aggravation of serious financial difficulties, it would be expedient to continue the operation of a scheme which was conceived and brought into operation in order to assist, not to burden, the financial administration of the country. For example, if it were necessary to resort to excessive or to very obnoxious taxation in order to meet

expenditure which could be met by the suspension, temporarily or otherwise, of the present Famine Insurance scheme, it would certainly be the duty of the Government to consider whether this could not be done. If it comes to a choice between the general financial position and the particular position of a particular item in the Budget, the priority must unquestionably be given to the general position. In other words, we must sacrifice the scheme to our general needs, and not our general needs to the scheme. I think it necessary to make these remarks here, because it is very evident that the nature of the Famine Insurance project is very generally misunderstood, and, so far as I am concerned, I wish my views, and the grounds on which they rest, to be quite unmistakeable. The Government has very recently been charged, as it was charged in 1879, with breach of faith in having assigned to purposes of general administration what has been described as a fund set apart for a special object. The Government has done nothing of the kind, and has not in any way exposed itself to any such criticism. What has been the financial effect of the Famine Insurance scheme I may briefly illustrate by saying that through its operation the ordinary debt has been reduced since 1st April 1878 by £11,349,780; or by rather more than the figure of £1,500,000 per annum, which, it will be remembered, was the figure originally contemplated. *Gutta cavat lapidem, non vi sed sæpe cadendo*; and there seems, in some quarters, to be an idea that if you drop false statements fast enough, you will succeed at length in wearing away the polished surface of truth. When the accounts of the year are published, it will be found that the Government has devoted the Famine Insurance grant to the purposes to which it usually is devoted. But in exposing the unreasonableness of the accusation which charges us with misappropriation of what has never existed, I have forgotten to explain why, in our present circumstances, we feel ourselves unable to turn for relief to the £1,500,000 which furnish the annual famine grant. The necessity for continuing to appropriate it as at present, and the grounds on which we do not desire to appropriate this grant to ordinary expenditure, is that we are embarked on a series of railway works, intended to protect the people from the effects of famine, which we are carrying out partly by the aid of this Famine grant; works which would otherwise have to be dangerously deferred or completed with borrowed capital. When those works are completed, it will be for the Government of the day to decide whether the amount annually devoted to the famine grant cannot at least be lessened. These are the grounds on which we consider that the Famine grant should not be interfered with. We recognise no separate fund; but we do recognise and confirm the necessity of carrying to completion the railway and irrigation works necessary for the protection of the millions of this country from

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famine. But nevertheless I wish to repeat that if the sad necessity arose, from causes which I above glanced at, of appropriating the million and a half or a part of it, which at present is assigned to what is called the Famine Insurance grant, to other purposes connected with our ordinary expenditure, it is in my judgment perfectly open to the Government to do so; and it might in my opinion become extremely foolish to prefer vexatious taxation or excessive crippling of our ordinary needs in order to continue the working of a scheme which is excellent so long as it can be worked with convenience to the general financial administration, but which would become quite unendurable if, in order to maintain its existence, we were called upon to make exasperating sacrifices or impose extravagant burdens which were necessary for no other object than to keep this monster of our own creation fed with the funds necessary for its sustenance.

“ I come then by a process of elimination to the third and last resource which is open to us, namely, to direct taxation, and I do so with a perfect knowledge of the delicate ground on which I am supposed to be treading. The financial history of the last 25 years is strewn with the skeletons of discussions on direct taxation, and more than one of my predecessors is gibbeted on that dismal Golgotha for the part which he took in connection with it. It has been my duty, in the course of my studies on the subject of direct taxation, to read again lately the various debates upon that much-vexed subject in which at different times my predecessors took part during the 20 years between 1860 and 1880. I have, in truth, but just emerged from them, like Ceneas from visiting his ancestors in the Shades, and I am still overwhelmed, and overcome with the sulphurous atmosphere in which I have lately been groping my way; atmosphere, ‘ From whose flames no light, but rather, darkness visible—Regions of sorrow, doleful bodes where Peace and Rest can never dwell.’ So that I am not likely to underrate the oppressive climate of the region into which I am doomed to re-enter, and into which I must invite the Council to follow me. The aphorism of Burke, quoted by one of the most distinguished of those who have held my present office on an occasion similar to the present, that ‘ it is as difficult to tax and to please as it is to love and be wise,’ is one the truth of which has been illustrated in the person of almost every one of my predecessors, and will, I have little doubt, be once more illustrated in mine. But in spite of what has gone before and in spite of what remains to be said, (and I fear that we shall find during the next few months that a good deal remains to be said,) there can, after all is said and done, be no manner of doubt, but that one great fact remains established; one great blot on our administration not only still unremoved, but aggravated by the course of events in recent years. It is this, that, putting aside those who derive their income from land in the temporarily-settled districts, the classes in this country who derive the greatest security and benefit from the British

Government are those who contribute the least towards it. Many opinions of many kinds have from time to time been expressed as to the nature of the advantages or disadvantages introduced into this country by British rule, but on one point all (even the most envenomed and hostile of our critics) are agreed, and that is that it has given greater security to life, property, and trade and to the amassing, therefore, of wealth, than any Government that ever preceded it. Yet notoriously the mercantile and professional classes, to whom this time of sunshine has brought such an abundant harvest, are precisely those who contribute least towards the support of the Government in the light of whose power they bask. We are constantly assured, for example, by journalists in this country (who, in their capacity of journalists, by the way, make a considerable untaxed income in pursuit of their efforts to bring home to us this assurance,) that the limits of taxable resources have been reached. Whatever may be the case with the poorer, or the lower middle class, the upper middle and the upper classes, in spite of our friends the journalists, enjoy the greatest immunity from taxation. If this was true before the abolition of the import duties, and the reduction of the salt duties, it is still more unanswerably true now. I know that what I have said as to the immunity of the middle and upper classes from their due share of the public burdens is as a twice-told tale, vexing the dull ears of a drowsy man; but it is nevertheless a grievous blot on our Indian administration, which urgently calls for removal, and which, I believe, with patience, prudence, and the exercise of a little fortitude, must and will be removed. Efforts have indeed, at various times, been made to remedy this scandal, for scandal it is of the greatest magnitude when the poorest are called upon to pay heavily for the support of the Government, and the wealthier classes are exempted; but from one cause or another the measure has never been carried out, except for short and broken periods of time. Then, again, there is another and a very important and very decisive element which has been introduced into the question since it was debated in this Council Chamber in the days of Lord Mayo. It is this, that when the indirect duties were swept away or lessened, it must have been obvious to all, to the most indifferent observer no less than to the intelligent student of Indian finance that, should difficulties recur, economy and direct taxation were the only alternatives possible. As a reserve, indeed, we could, consistently with the policy which removed the import duties, raise the salt duties; but a reserve necessarily from its nature should not be made use of till other possibilities have been exhausted. The action of the policy of the Governments of Lord Lytton and Lord Ripon in respect of the import duties upon our future policy in respect of taxation in India was well put by Sir A. Arbuthnot in the debate of March 2, 1880, when he said :

‘Therefore, my Lord, while speaking as an individual member of this Council, I deeply regret the policy which has deprived the Government already of a portion of their

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indirect revenues, and which threatens to exterminate an important branch of those revenues altogether; while I view that policy with the gravest apprehension, I cannot but recognise the fact that, as a result of that policy, a permanent system of direct taxation may prove to be inevitable. And if it shall so prove, if events shall so turn out that the Government of this country shall deem it necessary to retain such a system as a permanent part of their fiscal system, I feel bound to say that, in my opinion, it will be incumbent upon the Government of India to place that taxation on such a basis that it will touch not only the trading community, but all the comparatively wealthy, and especially all possessors of realised property, and to discard the present license tax, which, notwithstanding the remedy afforded by the Bill before the Council, still falls unduly on the comparatively poor, and too exclusively on one class of the community.'

"There can be no manner of doubt that, as Sir Alexander Arbuthnot said, direct taxation is the necessary and legitimate result of the measures adopted in preceding years. The financial policy of the Indian Government since 1878 has pointed steadily at direct taxation. From that year onward, he that ran could read the indications of the time. In point of fact, for the last 8 years we have had direct taxation; but in a form so incomplete and so open to criticism that it was impossible not to foresee that it must be, on the first convenient opportunity, replaced by some measure more equitable in itself, and more suited to the circumstances of the country. An attempt has been made, and is still in operation under the form of a License Tax, to carry out direct taxation in part, but it is open to the vital objection that it presses most heavily on the poorer among the trading, mercantile and commercial classes, and leaves the wealthier besides other whole classes of the upper part of the population comparatively or absolutely unassessed. Almost from the day of its introduction efforts have been made by public bodies in this country, both English and Native, to obtain, instead of the existing License Tax, a more equal distribution of direct taxation, and acknowledgments have been tendered by the Government of the evils inseparable from that Tax as at present enforced, and of its determination, when a fitting opportunity arose, of putting it on a more equitable footing. In point of fact, so far had the matter gone and so ripe was it for settlement, that if no financial necessities had now overtaken us, we should have been imperatively called upon, in any case, very shortly either to abandon direct taxation altogether, or to take some measure of the nature which we now propose to introduce. It was impossible to go on from year to year admitting and deploring the evils of the existing tax and doing nothing whatever to remedy them. That was how the matter stood till the commencement of this year. We had the choice of abandoning direct taxation or of extending it; and we were in such a position that we could no longer decently delay making up our mind to adopt one or the other. But we no longer have even the choice now. As circumstances stand, for the reasons which have been, I trust, sufficiently explained in the course of these remarks it is obviously impossible to us, even were it desirable, to

abolish direct taxation; for we cannot spare the half million which it brings into the Imperial Treasury. Nor, again,—and mark this, for it is an important point,—if we abolished the License Tax, and with it all direct taxation, could we justify the retention of the cesses on land which were introduced simultaneously with it in 1878. What was said by Sir John Strachey in 1880 is equally applicable now: 'It would be hardly possible to maintain the cesses on the land, if the tax on trades were abolished. It might be more possible to defend the abolition of the cesses on land and the maintenance of the tax on trades'. So that we should have, if we let the License Tax go, to let the cesses on land go also, which is altogether out of the question. The only alternative, therefore, that remains is to carry out our oft-repeated pledges and to fulfil the promise, which we have on numerous occasions made to various public bodies in this country, of extending the operation of direct taxation in such a manner as to remove the anomalies complained of, and justly complained of, by those at present assessed to it. In doing so, we are not only fulfilling our pledges, but giving effect to them in a way which is in strict harmony with the policy pursued by our predecessors. In the Financial Statement of the present year, I said that should we be called upon to increase our revenues we should feel ourselves bound to do so on the lines of the policy adopted in 1882-3, and in conformity with the principles by which it was inspired. We are acting consistently with those principles when we propose to afford, as far as possible, relief in taxation to the poorer classes, and before calling on them for further contributions, to exhaust all methods of increasing our revenue which are independent of their sacrifices. If we are bringing under contribution some 80,000 new persons, of whom a large part are officials, and of whom all are in comparatively easy circumstances, it is because we refuse absolutely to emancipate this small handful from taxation by adding to the burden of the 180 million who earn their bread by the sweat of their brow, and on whose shoulders the burden of the too vast orb of the public fisc at present practically rests. I do not therefore come before the Council to-day as an apologist for direct taxation. I have no intention here at this present moment of entering upon any examination of the merits or demerits of direct taxation in India or of anticipating the objections to it which, at a later stage of this Bill, may very probably be urged upon this Council. I think it very possible that the venerable old weapons of attack, the arquebuss of 1800, and the muzzle-loader of a later day, will be furbished up and brought out with the last weapon of the moment and once more will be levelled at us; that the imposing structure of former discussions will be lugged from its resting place and paraded round and round this Council Table with its sable nodding plumes, its gloomy trappings, its scenic accessories of word painting, and its motto of *sæva indignatio*. But I should like to point out at once, in order to obviate misunderstanding and profitless discussion here-

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after, that objections based on the experience and former arguments employed in reference to an Income Tax, must be considerably modified if they are to be aimed at the measure which we desire to-day to introduce. The measure which I wish for leave to introduce is in many respects a different measure from those which have been hitherto placed upon this table in the form of an Income Tax. In the first place, it is built on the foundations laid nine years ago for the License Tax, and is not an introduction but an enlargement, an extension and equalisation, of direct taxation. Next, it will be found that it leaves the present License Tax undisturbed in the case of the lowest class of incomes, except so far as it adds professions and offices to trades and dealings. It aims at maintaining an average assessment of 2 per cent. on incomes below. ₹2,000, the rate at and above ₹2,000 being about 2½, or five pies in the rupee, but falls at a sensibly lower average rate on all incomes between ₹500 and ₹1,250. It exempts, like the present law, all incomes below ₹500 per annum from taxation. Of the present assesses, 122,000, so far as we can at present calculate, will have their present assessment entirely undisturbed; the assessment of about 100,000 will be more or less raised. It takes no account whatever of land assessed or liable to be assessed to revenue whether in the permanently or temporarily-settled Provinces. The combined schemes will not affect more than about 300,000 persons only, officials included, out of the whole population of British India. The measure, in a word, aims at meeting the objections of those who, while more or less opposed to an income tax as generally understood, have, at different times in speeches before this Council, or elsewhere and in other ways, intimated that they concur in the conclusion that the more well-to-do classes should be taxed; and that if they could not be reached otherwise they would be prepared to agree to direct taxation, on lines such as those we are now following. At a later stage of the proceedings connected with this Bill I shall be prepared, if necessary, to produce ample evidence in support of what I have now said, and to quote the several authorities to whom I allude. Avoidance of inquisition, especially in the case of the smaller incomes, maintenance and continuity of existing rates and estimates, a liberal figure for exemption from assessment, a moderate rate of assessment,—these are the conditions in which even avowed enemies of an income tax have intimated in this Council their willingness to see direct taxation incorporated, as we desire to incorporate it, as a part of our fiscal system. All this we have set ourselves to meet, as will be evident on examination of this Bill. We estimate, finally, that it will give us about £620,000, additional to the £500,000 which is the yield of the present License Tax, leaving a small balance on the £700,000 we require which we should have no difficulty in meeting.

“ I do not conceal from myself that in some ways the present is an unfortunate time for the re-introduction in India of an assessment on salaries

and in a less extent on mercantile incomes, owing to the uncertainty and hardship connected with the present state of the silver market. I have no wish to make light of this difficulty; far, very far from it; it is grave one; and I know only too well that the state of the silver exchange is severely felt in a large number of Anglo-Indian households. More or less it affects us all, increasing the difficulties of one in finding adequate funds for the education of his children, to the other diminishing the economies which he looks to to facilitate his retirement, and to support him in later life, and thereby prolonging the period of his service in India. All this I know, as I have said, only too well. But I know equally well that we are of necessity compelled to turn to the tax-payer for fresh resources, and that if we do not look for them to the comparatively wealthy, we must turn to the positively poor. The choice lies between the classes who have or who can make for themselves a margin, and those who have no margin at all. It is on the *misera contribuens plebs* that an increase of the salt tax, or a re-imposition of import duties such as the Madras Chamber of Commerce have lately advocated, would fall. We are all, I am aware, concerned in the measures necessary for the safety of the Empire, but I may remind this Council that it is certainly not the middle or the upper class of Native or the Anglo-Indian merchant or official who are least concerned. So that neither in this regard can I come before this Council as an apologist. In the necessities of the time,—in the interest of all classes of the community,—in the present incidence of our Indian taxation,—in the legitimate and necessary result of the financial policy pursued by our predecessors,—in the admissions of these who oppose an income tax,—will be found the justification of the measure which I now have the honour to ask Your Lordship to allow me to introduce. I have shown what our financial position is; I have added that, while we are not forgetful of economies, we cannot hope, in the ensuing year, for any great relief in this direction; I have stated why, in our opinion, resort to indirect taxation is undesirable; I have pointed out that direct taxation is the necessary outcome of the financial policy of the last 8 years; I have drawn attention to the provisions of the Bill to prove that it is framed with a view to profiting by the great experience which in a quarter of century we have acquired; I have glanced at the objections which may be urged in view of the silver exchange, and while deploring its effect on the position and the circumstances of so many here in India, I have given my reasons for thinking that, objection for objection, there is more to be said in favour of the struggling silent masses than of the few on whom addition to their present difficulties will fall; and I now look to the candour and intelligence of my hearers to decide whether in these circumstances some revised form of direct taxation is not inevitable, and whether direct taxation in the form embodied in the Bill which I wish to lay before the Council is not unquestionably a course which is more



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free from objection than any which can be urged upon our attention as alternative."

His Excellency THE PRESIDENT said :—

" As Sir Auckland Colvin has made so complete and lucid a statement of our present financial position, and the reasons which have compelled the Government of India to introduce the present Bill, it would have been scarcely necessary for me at this stage of the proceedings to trouble you with any observations of my own, did not I think it my duty to seize the earliest opportunity of taking upon myself, as the Head of this Government, the full responsibility of a measure which, however imperative, must by its very nature prove extremely unpopular. The Financial Member in taking the initiative has merely discharged the technical duties attaching to his office, and he is no more responsible for the policy upon which we have determined than any other member of the administration, inasmuch as the causes which have created the difficulties with which we are about to grapple have in no way resulted from circumstances over which the Financial Department have had the slightest control. Before, however, I touch upon that part of the subject which concerns the future, it is but right that the Indian tax-payers, and the Indian public generally, should receive a full explanation in regard to the past, and to the causes which have occasioned the actual deficit which will confront us at the conclusion of the present financial year. That deficit, as you have been already told, will probably amount in round numbers to £2,800,000. The principal portion of this sum, which may be put roughly at a couple of millions, is due to those preparations which we were compelled to make on our side of the water in view of a possible contest between Great Britain and Russia. The nature of the crisis to which I allude was thoroughly understood from one end of India to the other. Its gravity was fully appreciated, and there probably has never been a more gratifying feature in the history of this country than the way in which all classes of Her Majesty's subjects came forward, not merely with a unanimous expression of loyalty and devotion to the throne and to the person of the Queen Empress but, in numerous instances, with offers both of personal and material assistance. In these circumstances, it scarcely is necessary for me to show that the expenditure which we at that time incurred was necessary and inevitable. It will be sufficient for me to point out that so imminent was war considered by Mr. Gladstone and his Colleagues that the reserves were called out and a powerful fleet was equipped by the British Government, at an expense of six and a half millions. I imagine that no one will care to suggest that, while these sacrifices were being made by the English tax-payers with the view of maintaining the sanctity of the North-Western Frontier of India, India herself should have remained a listless spectator of the scene, and have done nothing for her own defence. But though we felt it incumbent upon us to prepare for

what then appeared the probable contingency of war, we restricted our precautionary measures to those which the barest necessities of the case required. We contented ourselves with providing such an amount of transport and stores as would enable us to place a corps d'armée of observation on our own frontier. We did not mobilise a regiment, or move a man or spend a penny otherwise than on these initial and elementary measures, and had any Government done less, it would have deserved impeachment.

"The other items of the deficit have been occasioned by the construction of a temporary line through the Bolan Pass from Rindli to Quetta, and by our military operations in Upper Burma, the cost of the latter of which has been estimated for the current year at £270,000. With regard to the first of these projects, the Bolan line, I need not say much. It is well known how fatal to the lives of our soldiers and how intolerably expensive has been in times past the despatch of troops on foot along this fatal road. A considerable period must of necessity elapse before the Harnai route can be completed, and were a war to occur there is no doubt that the existence of direct and through railway communication to Quetta would save thousands of lives, as well as the original cost of the railway many times over.

"As to the Burmese war, though it is not perhaps a very fitting opportunity for explaining the policy of the Government, there are one or two observations it might be opportune for me to make in regard to it. That our proceedings in the matter have been almost unanimously approved of in England has long since been sufficiently apparent. In this country, however, a different view has been taken of the affair by a considerable proportion of the native press. That this should be the case has not at all surprised me, and I readily admit that the instinctive aversion so many of our native friends have shown to the Mandalay expedition has been both natural and reasonable. As a general principle, it is not desirable that either the limits or the political and financial responsibilities of the Indian Empire should be extended, and every Indian tax-payer is perfectly justified in apprehending that every war, no matter upon how moderate a scale it may be conducted, or how successful its issue, must add to the public burdens. Nor, indeed, can we expect that those larger and predominant considerations which dictated the line of action we have followed should be present to the minds of the great mass of the Indian people. To them Burma is a remote and foreign country. The history of our relations with the Government of King Theebaw during the past years is alike indifferent and unknown to them, and we must not be surprised if the inhabitants of Lahore, or of Trichinopoly, Benares or Multan should fail to remember that for thirty years Lower Burma has formed an integral part of the Indian Empire; that it has contributed its full share, and as the Burmese allege, more than its full share, of taxation to the Imperial

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Exchequer; and that anything which affects its security or welfare must of necessity prove of as deep concern to the Government of India as if it lay in the heart of Her Majesty's Indian possessions. A variety of concurrent circumstances made it only too evident that the future of Lower Burma would be seriously compromised unless we came to some satisfactory understanding with the Government of Mandalay in respect to the various outstanding complaints which for years past we had been vainly preferring to the Burmese King. An honest and sincere endeavour was made to reach an amicable settlement, but our well meant intentions were frustrated by the folly of the Ruler, and we were forced very reluctantly to undertake the conquest of the country. Thanks to the skill, the prudence, and the humanity with which the expedition has been conducted by General Prendergast, and to the zeal and energy displayed by Her Majesty's forces of both services, English and Native, the Capital of Upper Burma has been occupied, it may be said almost without bloodshed, and certainly without engendering any bitterness of feeling between ourselves and the Burmese people. That these proceedings will entail a certain amount of cost cannot be denied; but, without endorsing the complaint of the representatives of Burmese interests, who maintain that the Indian Exchequer has unduly profited for many years past by the exorbitant amount of Burmese revenue which it absorbs, it will probably be found, when the debtor and creditor account between India and Burma is finally examined, even after the expenses of the present war have been duly debited, that an ultimate balance sheet will be shown which may by no means prove unsatisfactory to the Indian tax-payer. As to the degree to which the revenues of Upper Burma may suffice to provide for the wants of its own administration in future, nothing at present can be said. It was necessary, of course, once the conquest of the country had been effected, to determine and to declare for diplomatic purposes its international status. This has been done by the Proclamation of the 1st of January, under which the authority of the Viceroy is substituted for that of the late King. Such an arrangement, however, though required by the actual circumstances of the case, will eventually be replaced by a more fully regulated system, the nature of which will, in all probability, not be determined until I have myself visited Mandalay, and been in a position to submit a report to the Queen's Government at home.

“ Having now dealt with the causes of our actual deficit, and one or two subjects cognate to them, I will ask permission to make a few further observations in regard to the Bill we propose to introduce. The object of that Bill is to impose a tax upon those classes who at this moment contribute nothing, or only contribute in a very imperceptible degree, to the Indian revenues. On the necessity for strengthening our present financial position I will not enlarge. Sir Auckland Colvin has clearly shown that the financial position

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of the country is gravely imperilled by a harassing uncertainty in regard to the future of silver. The fall of a penny in the price of silver at once adds, in round numbers, a million to our expenditure. In this manner, since I entered upon the duties of my office, an additional charge of a million sterling has been laid upon our shoulders; and though I trust that the depression of the metal may have reached its lowest limit, the possibility of a further fall, and the consequent presence of an element of uncertainty in all our accounts, renders it absolutely incumbent upon the Government to take such precautionary measures as the circumstances of the case permit. After consultation with a number of persons, both English and Native, who are entitled to speak with great authority upon such questions, we have framed the provisions of the present Bill, and from first to last the utmost care has been taken to render their application both equitable and as consonant to the habits and feelings of those affected by it as possible. I am aware that in all Eastern countries there is great objection to anything approaching to direct taxation, and I might have hesitated to give my assent to such a measure as the present if it had been an unprecedented essay in that direction; but so far from this being the case, direct taxation has for some years past formed a portion of the fiscal system of India. The license tax is a tax essentially direct both in its principle, its incidence, and its application, and so far as I have been able to learn by enquiry, or to gather from the public prints, the opposition which this impost originally encountered has in a great measure subsided. Its assessments have been gradually brought into harmony with the real status of those who have been subjected to it. Its inquisitorial character has been eradicated, and it is now submitted to with as much cheerfulness and good humour as is compatible with the infirmity of human nature. The necessity then of some addition to our public revenues being admitted, the Government naturally considered that the extension of a tax similar in principle to the license tax to those classes of the community who are not subject to its operation was both a just and a desirable expedient. The only alternative open to us was to re-enhance the salt tax; but though this would have been an indirect tax, and consequently not so unpopular as the one we are about to impose, its operation would have chiefly affected the poorer masses of the community. Now, I am very far from wishing to say that in the presence of any overwhelming necessity, such as that of a great war or a great famine, it might not be necessary to raise the duties upon salt. It would be by such a measure alone that a great emergency of the kind could be met, and all minor considerations would have to be postponed to the imperative necessities of the hour; nay even something short of either of these calamities might justify us in resorting to it: but when the situation merely requires a comparatively slight addition to our current revenue, it is obvious that any honorable man who had to choose between taxing the most indigent classes who already contribute a

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considerable share of the public burdens, and taxing those classes who, though in easier circumstances, scarcely contribute anything, it is to the latter alternative that he would resort. This at all events is the conclusion that the Government of India has come to in the matter. We look abroad, and we see that the peasant pays his salt tax, which, though it has been reduced, still supplies us with a yearly net revenue of £6,000,000; that the landowner pays his land tax and his cesses; that the tradesman and the merchant pays his license tax; but that the lawyer or doctor, the members of the other learned professions, the officers of Government, and other persons occupying an analogous status, and the gentleman at large pay little or nothing. I look around this very table, and what do I see? that there is not one of us into whose pocket Sir Auckland Colvin is able to get so much as his little finger. For instance, take my friend Mr. Mandlik, a most eminent and distinguished member of the legal profession. He will admit, I am sure, that his qualifications to rank as a tax-payer are of the most microscopic proportions. The same may be said of my friend Mr. Peári Mohan Mukerji, except in so far as he may be a landowner; but whatever revenues he derives from land are exempted from the operation of this Bill. I might make the same appeal to most of our other colleagues, and, what is equally sad, I am forced to make an identical confession in regard to myself and to the members of the Government. There is not one of us who pays any really serious sum from his income into the Imperial Exchequer.

“ Now, surely, this cannot be right, and to such an anomaly it is no answer to say that direct taxation is repugnant to oriental customs. Justice is the inhabitant neither of the East nor of the West. She admits no geographical limits to her supremacy, her throne is on high, and sooner or later, in spite of prejudice or custom, she never fails to vindicate her title to the respect and veneration of mankind. It is then in the name of justice that we propose the imposition of this tax, and we feel assured that every fair and right-thinking man in the country, no matter how his private interests may be affected by our action, will recognize that no other course was open to us. Indeed, already I see that no less intelligent a body than the congress of Indian delegates lately held at Bombay have forestalled our conclusions, and have passed a Resolution, recommending, in default of other expedients, the extension of the license tax to those members of the community who hitherto have enjoyed an undeserved immunity from the visits of the tax-collector.

“ But, though I do not anticipate that any serious objections will be raised to the principle of the Bill, it is possible that adverse criticisms may be passed upon some of its details. I need scarcely say that the most searching criticism, especially if accompanied by practical suggestions, will be very

welcome and will receive from the Government most careful and impartial consideration. I do not anticipate, however, that any great changes will be necessary, because great care has been taken to divest it of all those unsatisfactory characteristics which have hitherto rendered the imposition of direct taxation so unwelcome. Warned by the experiences of those who have gone before us, we have carefully eliminated from our Bill everything that rendered former measures of the kind odious and obnoxious. In fact, our project is merely an expansion of the license tax. The license tax is a one-storied house, and on the top of it we are putting a second storey, but the order of architecture in both will be the same; and, as the foundations of the one have stood the test of time and of popular criticism, so I trust will the walls of the other possess the same solid characteristics.

“ But there is now another aspect of the question to which I am bound to refer. Following in the steps of Sir Auckland Colvin, I have shown, I trust in a perfectly conclusive manner, that the instability of silver, and the loss by exchange we have sustained during the current year, have compelled us to strengthen our financial position in the manner I have described; but, besides this, other unexpected calls upon our revenue have arisen, which have also had their influence in determining us to introduce the present Bill. A few short years ago, India was an isolated region, cut off from the rest of the world, on two sides by the sea, and on the third by a range of mountains whose further slopes were inhabited by populations destitute of modern arms, unskilled in the arts of war, and from whom no serious acts of aggression were to be apprehended. But within a period of startling brevity this situation has been completely revolutionized. A great European Power has advanced its confines by sudden leaps and bounds into what by comparison may be called close proximity to our own frontier. It is true, several hundred miles still separate the territories of India from those of Russia, but the intervening space is ruled by a Prince in close alliance with ourselves, whose interests are cognate to our own, and the invasion of whose territories we are solemnly pledged to resent so long as he conducts his external relations in accordance with our advice and wishes. I do not propose to waste the time of the Council by entering upon any justification of the arrangements out of which the foregoing obligation has arisen. They were made by my illustrious predecessor, to whose good management and wise conduct of the affairs of the North-West we are indebted for a united Afghanistan and a friendly Afghan Ruler. But whatever their character, they have to all intents and purposes brought, though in an indirect manner, the area avowedly dominated by our political influence and ascendancy into direct contact with one of the greatest Military monarchies of the day. Under these circumstances it would be the height of folly upon our part if we did not recognize the change which has taken place in the external position and relations of the Indian Empire. My

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own opinion is that the counsels of Russia are controlled by a just and peace-loving Emperor, and inspired by a moderate and unaggressive Statesman; but those who have watched the recent current of events in Europe and the origin and causes of some of the most bloody wars of the last thirty years, must be aware that the hands of Monarchs, however powerful, and of Ministers, however conscientious, are violently forced and their most earnest desires counter-vailed by a hundred disturbing influences. The accident of a moment, a wave of popular prejudice or passion, the influence of a subordinate but powerful party in the State, a chance collision between distant pickets,—each one of these, or all combined, have been and will be again sufficient to bring the nations of the earth into disastrous collision. But for the accidental circumstance of the Amír being in my camp at Rawal Pindi, and the fortunate fact of his being a Prince of great capacity, experience, and calm judgment, the incident of Penjdeh alone, in the strained condition of the relations which then existed between Russia and ourselves, might of itself have proved the occasion of a long and miserable war. But, not only so, there are other contingencies and untoward possibilities which must occur to the mind of every one, though it may not be desirable or prudent to specify them in detail, which, were they to happen, would still further accentuate the change in our circumstances which the entry of Russia into the Valley of the Hari-Rud, and her advance to the borders of Maruchak, Maimena, and Balkh, have occasioned. If then the situation is such as I have described, and I have endeavoured to shape my language in accordance with absolute fact and the suggestions of plain common sense, it is evident that we should be neglecting a grave and obvious duty did we not follow the example of all civilized communities under such circumstances, and place our frontiers in such a position of defence and impregnability as will render us comparatively indifferent to the changes and chances of the outside world, and restore to us that feeling of security and independence of others which is absolutely essential to the stability of our credit and the healthy condition of our finances. These necessities have been equally admitted by the late and the present Governments of Great Britain. During a remarkable debate which took place last year, the representatives both of the Conservative and of the Liberal parties united in recognizing the necessity of completing with as little delay as possible such a system of defensive Railways, fortifications and other works along our North-Western Frontiers as would effectually bar our doors against all chances of annoyance from beyond them, no matter from what source they might proceed—whether occasioned by a foreign foe or by any change of policy on the part, I will not say of the present Ruler of Afghanistan—for of his steadfastness and fidelity we have received satisfactory proofs—but on the part of any of his successors. With such a consensus of opinion in the Parliament of Great Britain, the Government of India had no difficulty in

discerning what line of action to adopt. Some very complete and well-considered projects for the construction of military railways wherever strategic considerations might require them to be laid had already been drawn up by the late Viceroy and accepted by the Secretary of State, and during the past summer the military authorities here, in conjunction with those at home, have been elaborating a plan for the erection of such places of strength, fortresses and fortified positions, as may be best adapted for the purpose we have in view. In doing this we shall be merely following the example of every other nation in the world, who, no matter how friendly may be its relations with its various neighbours, rightly feels that its security and peace should not be allowed to depend upon their good-will, however genuine, or their professions of amity, however sincere, but upon their own valour and prudence, aided by such means as military science can suggest for the protection of their borders.

“ It has also been determined for the same reasons to increase to a moderate degree the numbers both of the British and of the Native forces in India. This is a measure which the late Commander-in-Chief, one of the most economical, sagacious, and prudent officers that ever occupied that high position, most earnestly counselled, and the necessity for it has been impressed upon us in an equally emphatic manner by his present distinguished successor, as well as by other persons entitled to speak with scarcely less authority. But, though anxious and ready to give every proper consideration to the recommendations of those who are the legitimate advisers of the Government of India in these matters, we felt that due regard had also to be paid to the financial exigencies of the situation. Consequently, the addition we propose to make to our present forces falls considerably short of the figure desired by Sir Donald Stewart and other high military authorities both here and at home. In coming to this conclusion the Government has felt that it was incurring a very grave responsibility, but still, on balancing the conflicting considerations forced upon our attention, we are convinced that the more moderate limit we have adopted is the one best suited to the circumstances of the case.

“ Unfortunately, precautions of this kind cost money, and the necessities of the case require them to be pushed with energy and rapidity, and, although the expenditure needed for the greater proportion of these works will be, as heretofore, provided by loan, (and by sums refunded to us from time to time by the private Companies to which Government Railways may be transferred), we shall have of course to pay the interest on whatever sums we borrow. Then again there are three Famine Railways which have been already commenced, and which the Government are determined to complete with all despatch, namely, two in Madras and one in Northern Bengal. And here perhaps I may take an opportunity of correcting an error which has been frequently made, and which seems to return to new life each time that it is corrected, namely, that any inroad has been made upon the Famine Grant.



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When I arrived in the country, I found that the system which had been followed by my predecessor had been to apply half a million a year from the Famine Grant to Famine Railways; £250,000 to Irrigation Works and the remainder of the Grant to the diminution of debt. The justification for its application to this latter purpose has been so fully set forth and explained in a speech of Sir Evelyn Baring's that I need not say any more upon that head. Such was the system I found in vogue when I arrived in India, and during the current year that is the exact system which has been followed. These facts are perfectly well known to all that are acquainted with the subject, and now, that I have myself re-stated them in Council, I trust that the foolish ghost of this perennial fiction has been once and for ever laid. In fact, I may say, that, so far from diverting the Famine Grant to extraneous purposes, there is nothing which myself and my colleagues have so strongly urged upon the Secretary of State as the desirability of continuing the policy sanctioned by our predecessors, at all events until we shall have reached a stage when our Famine Protective Railways shall have sufficiently multiplied to compress within tolerable bounds the chance of such casualties from famine as have desolated the land in past times. But, though such is our intention and desire, we have thought it perfectly consonant with the principles I have enunciated to ask the Secretary of State that, instead of making all these Famine Protective Railways ourselves, we should be permitted to apply a small proportion of the Famine Grant to the payment of interest to certain companies whom we propose to entrust with the construction of special lines possessing a protective character, and which, by their completion, will diminish the evil consequences of bad seasons in various threatened districts.

“Such, Gentlemen, are the circumstances under which the Government of India have asked this Council to give leave for the introduction of the present Bill. Stated briefly, our chief justification for the measure is to be found first of all in the extraordinary fall of silver which has recently taken place, and in the uncertainty which prevails as to the future fluctuations which may affect its value. In the presence of such a state of things, the strengthening of our financial position became an absolute duty, and the performance of this duty has been rendered still more incumbent upon us by the necessity, which has been equally recognised by every shade of public opinion in England, of strengthening our frontier defences, and prosecuting with energy the completion of our Frontier Railways. In determining the amount of money to be raised, we were very careful to limit it to the minimum sum which we thought it safe to ask for, and you may be satisfied that in carrying out the programme which has been determined upon, the Government will be careful to square its efforts with the means at its disposal. All the works which are contemplated cannot, of course, be carried out at once, and by the

exercise of prudence and discretion, and by a wise adaptation of the means at our disposal to the ends in view, it may fairly be hoped—unless some unforeseen catastrophe should upset our calculations—that with this slight addition to the taxation of the country, which as I said before will merely touch those who hitherto have contributed but slightly to the public burdens, we shall be able to carry out our programme. Nor need we by any means despair of a very considerable proportion of the expenditure to which I have referred proving remunerative. Railways of course which are simply constructed for strategical reasons cannot be expected, as they are not intended, to prove profitable commercial speculations; but it so happens that the two principal Railways which are to subserve our Military needs will run in such a direction as in all probability to become of the greatest service to commerce. As every one knows, the caravan route which connects Hindustan with Persia and Central Asia runs through Quetta, and the goods which are now conveyed on camels' backs to the proximity of the Indus may be expected to feed the chief of these lines with a continually growing traffic. Again, the Sind-Saugar Railway, which will enable us to move our troops along the whole face of our frontier, may from the peculiar circumstances of its location eventually become a considerable commercial artery. These results, however, are only subsidiary to the main purpose of the two lines in question, and I merely mention them as affording some consolation to those of us who like myself have an instinctive dislike to purely Military expenditure.

" It only remains for me, Gentlemen, to thank you for the patience with which you have listened to me, and to apologise for the length of my observations; yet there is one thing which I desire to say before I conclude. Although I have not the slightest doubt or difficulty in recommending you to agree to the introduction and to the eventual passing of this Bill, I cannot help desiring to express my extreme and heart-felt regret that the occasion should have arisen for legislation of this description. The imposition of taxes is always an ungrateful task to any Government even when its measures have received through their representatives the sanction of a majority of the people. The performance of such a duty to persons situated as are my colleagues and myself is still more irksome. When I reached the shores of India, I had marked out for myself a very different programme. For five years the country had been administered by a wise, cautious, and distinguished Statesman, who had devoted his attention to the internal welfare of Her Majesty's Indian subjects. Peace reigned from one end of the land to the other; and though our Financial Member could not boast of more than an actual equilibrium between our resources and our expenditure, there was no reason to anticipate until some months after my arrival that anything was likely to disturb the even tenor of our way. My predecessor having had such excep-

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[*The President.*]

tionally favourable opportunities for introducing reforms, and of bringing the institutions of the country into harmony with its growing wants and aspirations, my ambition was confined to the humble intention of watching the effects of his policy, and tending and watering what he had planted. We all know how rapidly these prospects have been overclouded by a succession of adverse circumstances over which this Government has had no control; and now, at the expiration of the first year of my term of office, I and those associated with me in the government of the country find ourselves driven to a course of action which cannot fail to cause inconvenience to certain classes of our fellow-countrymen, whose worldly trials and troubles are already sufficient, I dare say, to try their patience and fortitude to the utmost. Let me assure them that, at all events, neither my colleagues nor I have failed to comprehend the many sacrifices which the imposition of this taxation, moderate as is the scale we have adopted, and comparatively few as are the individuals it will affect, cannot fail to entail upon many of them; and most deeply do we lament the necessity of subjecting them to the ordeal. These observations more especially apply to those Anglo-Indian servants of the State who are compelled by their domestic necessities to transmit to England the greater part of their hard-won earnings for the support of their children. That very depreciation of silver from which the revenues of the State have so greatly suffered has also made itself felt in their case with the most bitter severity. On the other hand, however, it must be remembered that only five years ago three millions of taxes were remitted by the Government of the day. The amount of taxation which we are about to impose will not probably bring in more than six or seven hundred thousand pounds, so that when all is said and done, the inhabitants of India will be still left the enjoyment of more than two millions of the taxation which was remitted in 1882 by Sir Evelyn Baring. Indeed, if an actual calculation were made, I think it might probably be shown—at all events in the case of the wealthier classes we are now bringing into our net—that the gain they have derived from the remission of the import duties compensates them in a considerable degree for the additional import to which they are being subjected. Be this, however, as it may, whatever the sacrifice, whether it affects the Anglo-Indian or the native servants of the British Crown—of this I am sure, that if they are once convinced that the measures proposed by this Bill are necessary to maintain unendangered the honour of the Queen-Empress and the safety and security of the Indian Empire, and of the millions of hearths and homes it contains, as well as the stability of our public credit, they will cheerfully submit to them. The offers of assistance forwarded to me during the course of last summer in so generous a manner by the Princes, Zamíndárs, and leading men of the country more than justifies such an expectation. But the days are past for supplementing the resources of the State by private benevolences. The only fair and effec-

tual way of accepting the assistance we have been proffered is by recommending to the generous acceptance of the people a fair, just, and equal measure of taxation. This in our hearts and consciences we believe we have done. But there is one other measure by which we intend still further to fortify our financial position, and to protect it from whatever changes or chances the future may bring forth. Although from time to time during past years frequent endeavours have been made to examine the great machine which constitutes the Indian Government, with the view of rendering its operation more effective and economical, much I cannot but believe still remains to be done in that direction. As you are aware, the Government of India itself controls but a part of the expenditure of the country, so large a proportion of the Imperial resources having been confided to the control of the Provincial and subordinate Administrations. Very soon, however, the Provincial contracts instituted between ourselves and the Local Governments will expire; and it will be necessary, especially in view of the circumstances to which I have referred, most carefully to review them. At a time when fluctuations in the currency are threatening the stability of our whole financial system, and when the possibility of external commotion is darkening the political horizon, it is very evident that the duty of economy and retrenchment ought to be prosecuted with the utmost energy and decision. Already we have initiated this policy with effect; and by an appeal to the Provincial Governments, which I must say was answered with the greatest loyalty, we have to very considerable extent been compensated for our additional Military expenditure. But this was a temporary measure to meet an equally temporary need. It is now desirable to ascertain whether it would not be possible to add considerably to the margin of our resources by a careful revision of our Imperial and Provincial expenditure, as well as by the addition to our income with which the present Bill will provide us. With this view the Government of India have determined to issue a Financial Commission, so strongly constituted and furnished with such instructions, as to ensure that the task entrusted to them will be conscientiously performed, and to prove conclusively that the Viceroy and his colleagues are thoroughly in earnest in their determination to adapt the administration in all its branches to the financial exigencies of the Empire."

The Motion was put and agreed to.

The Hon'ble SIR A. COLVIN then introduced the Bill. He said:—"In introducing this Bill I do not propose to occupy the attention of the Council very much longer. I have already stated in making the Motion for leave to introduce this Bill that this measure follows the lines of the existing License Tax Act as closely as the different circumstances of the case would allow. Thus, we have retained as far as possible the machinery of assessment and

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[Sir A. Colvin.]

appeal, so as to minimise, where we cannot wholly avoid, the chances of inquisitorial or vexatious proceedings. But of course in extending the tax to the classes included in this Bill and in doing away with a maximum rate of assessment, we have been obliged to modify the provisions of the License Tax Act. In the second Schedule of the Bill will be found the sources of income which will be liable to the tax, and which fall under four heads, each being taxed under a separate part of the Schedule. The first part includes salaries and pensions, the second, profits of joint stock companies, the third, interest from securities, and the fourth, other sources of income, that is to say, the trades and dealings now taxed under the License Tax Act, plus professions and certain other sources of income not included in the previous parts. With regard to the rate of assessment, we propose to make it a rate of five pies on the rupee or approximately  $2\frac{1}{2}$  per cent. upon incomes of Rs. 2,000 per annum or upwards, and four pies or approximately 2 per cent. upon incomes under Rs. 2,000 per annum. We have thought it more convenient for purposes of calculation and assessment, to take so many pies on the rupee rather than a percentage, and in so doing we have followed the precedent of 1870.

“ Then, with regard to sources of income not to be subjected to assessment under this Bill. They include income derived from agriculture and from land liable to be assessed to land-revenue, or subject to local rates, the income of charities, interest upon stock-notes, the pay of military officers drawing Rs. 500 a month or less, all persons whose incomes from all sources are less than Rs. 500 per annum, and the salaries of Government officials drawing less than Rs. 100 per mensem. The sums paid under the capitation-tax in Burma and the pândharf-tax in the Central Provinces will be deducted from the amount which persons assessed to them will have to pay under this Bill. With regard to the mode and machinery of assessment, the tax upon salaries, and upon pensions and the interest upon Government securities will be deducted by the paying authority. In the case of joint stock companies, notices will be issued to be filled up with a return of income. In the case of incomes arising from other sources, a distinction is made in respect of incomes of and above, or incomes under Rs. 2,000. In the latter case, incomes are graded in six classes, ranging from Rs. 500 to Rs. 2,000, and for each class a fixed amount is prescribed. A list, as under the License Tax Act, is to be drawn up of the amount of assessment and the names of the persons liable to pay in this class, and such list will be notified in the office of the assessing officer. For incomes of Rs. 2,000 and over, notices will be served intimating to the persons assessed the amount they are liable to pay and the sources from which their income are chargeable, with certain other details which will be found in the Bill. This will be the general rule, but the Local Governments may make modifications in it with reference to special circum-

## LICENSE TAX AMENDMENT.

[Sir A. Colvin.]

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stances which they consider necessary. The machinery for the hearing of appeals and the revision of assessments is practically the same as under the existing License Tax Act.

"I do not know that I need specify further the characteristics of the other sections of the Bill. I think I have called attention to all which are in any way vital or which most require the attention of members of the Council."

The Honble SIR A. COLVIN also moved that the Bill and Statement of Objects and Reasons be published in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The Motion was put and agreed to.

The Council adjourned to Monday, the 11th January, 1886.

S. HARVEY JAMES,

*Offg. Secy. to the Government of India,*

*Legislative Department.*

FORT WILLIAM;

*The 8th January, 1886.*

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*Note.*—The meeting fixed for the 2nd January, 1886, was subsequently postponed to the 4th idem.